

Message Text

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11

ACTION ARA-10

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 ACDA-07 AID-05 TRSE-00 OMB-01 XMB-02 /097 W

----- 072733

R 051305Z MAY 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 0028

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

US MISSION EC BRUSSELS 102

USDEL MTN GENEVA

LIMITED OFFICIAL USE LIMA 4121

E.O. 11652: N/A

TAGS: EFIN, EIND, ECIN, PE

SUBJECT: ANDEAN PACT: GARCIA VELASCO DISCUSSES RECENT
DEVELOPMENTS

REF: LIMA 4002

1. ON APRIL 30, ANDEAN PACT JUNTA MEMBER RAFAEL GARCIA VELASCO (ECUADOR) PAID COURTESY CALL ON AMBASSADOR AND ASSESSED RECENT EFFORTS TO RESOLVE INTEGRATION CRISIS. LIKE BARANDIARAN (LIMA 4002), HE WAS CAUTIOUSLY OPTIMISTIC THAT CORNER HAS BEEN TURNED, BUT INDICATED MUCH STILL DEPENDED ON OUTCOME OF JUNE 15 MINISTERIAL MEETING.

2. GARCIA VELASCO SAID THAT DECISION 100, WHICH CONTAINS ADDITIONAL PROTOCOL TO CARTAGENA AGREEMENT, REPRESENTS POLITICAL SOLUTION TO THORNIEST ASPECTS OF CRISIS, BUT STRESSED THAT IT ONLY "RECOMMENDS" PROTOCOL'S
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RATIFICATION BY MEMBER GOVERNMENTS. HE SAID THIS SHOULD

PRESENT LITTLE DIFFICULTY FOR FIVE COUNTRIES, INCLUDING COLOMBIA (WHICH MAY RECEIVE SOME ADVERSE PRESSURE FROM ITS PRIVATE SECTOR). CHILE, HOWEVER, HAS EXPRESSLY CONDITIONED RATIFICATION ON FURTHER REVISION OF DECISION 24 AND PROGRESS TOWARD AN ACCEPTABLE COMMON EXTERNAL TARIFF.

3. THESE ISSUES, HE CONFIRMED, WOULD BE FOCUS OF JUNE 15 MINISTERIAL MEETING. WITH RESPECT TO DECISION 24, HE SAID THERE WOULD ALMOST CERTAINLY BE A RELAXATION OR REMOVAL OF THE 14 PERCENT PROFIT REMITTANCE CEILING (AS HAS BEEN WIDELY REPORTED), BUT THAT HE EXPECTED MUCH RESISTANCE, PARTICULARLY FROM PERU, TO CHILE'S REQUEST FOR WITHDRAWAL OF FOREIGN INVESTMENT "PHASE-OUT" REQUIREMENT. IF CHILE IS NOT SATISFIED WITH OUTCOME OF MEETING, HE ADDED, IT MIGHT CHOOSE NOT TO RATIFY PROTOCOL AND OTHER RECENT DECISIONS. IN THAT CASE, SOME SORT OF "WAIVER" ARRANGEMENT MIGHT BE DEvised, WHICH WOULD PERMIT CHILE TO REMAIN IN PACT FOR A SPECIFIED PERIOD DURING WHICH ITS POSITION, OR THAT OF OTHER MEMBER COUNTRIES, COULD BE REASSESSED.

4. GARCIA VELASCO ALSO TALKED ABOUT PACT'S PHILOSOPHY WITH RESPECT TO BOLIVIA. HE SAID RECENT PROVISIONS (DECISIONS 98 AND 101) AIMED AT ASSISTING BOLIVIA WERE PARTICULARLY NECESSARY BECAUSE BOLIVIA HAD LAGGED "FAR BEHIND." AT SAME TIME, HE CONFIDED, BOLIVIA WAS NOT QUITE SO DISADVANTAGED AS IT WOULD HAVE OTHER PACT MEMBERS BELIEVE. FOR EXAMPLE, HE SAID, HE HAS LEARNED RECENTLY THAT BOLIVIA HAS COMMISSIONED ARTHUR D. LITTLE CO. TO UNDERTAKE A \$3.2 MILLION STUDY OF SIXTY POSSIBLE INTEGRATION PROJECTS.

5. AS REGARDS THE ANDEAN DEVELOPMENT CORPORATION (CAF), HE SAID JULIO SANJINEZ GOITIA, WHOM HE DESCRIBED AS "VERY CAPABLE," WOULD ASSUME PRESIDENCY SHORTLY. (COMMENT: WE HAVE BEEN IMPRESSED BY SANJINEZ' PERFORMANCE AS BOLIVIA'S AMBASSADOR TO PERU.) HE ADDED THAT CAF, WHICH COULD BE EXPECTED TO PLAY AN INCREASINGLY IMPORTANT ROLE IN INTEGRATION PROCESS AS SECTORIAL PROGRAMS BECOME APPROVED, WOULD SOON BEGIN TO SEEK ADDITIONAL FINANCING LIMITED OFFICIAL USE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, DIPLOMATIC DISCUSSIONS, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA04121
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760174-0273
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760589/aaaacyfo.tel
Line Count: 109
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LIMA 4002
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by CollinP0>; APPROVED <13 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANDEAN PACT: GARCIA VELASCO DISCUSSES RECENT DEVELOPMENTS
TAGS: EFIN, EIND, ECIN, PE, ANCOM, (GARCIA VELASCO, RAHAEL)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006